Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Chile and Mexico CPI; Colombia Exports Recap

- **Chile: April CPI of 0.2% m/m (4.5% y/y) supports our more benign inflation outlook**
- **Mexico: Inflation rises, driven by pressures in goods and services**
- **Colombia: Exports increase in March despite low oil prices, while non-traditional exports remain positive**

CHILE: APRIL CPI OF 0.2% M/M (4.5% Y/Y) SUPPORTS OUR MORE BENIGN INFLATION OUTLOOK

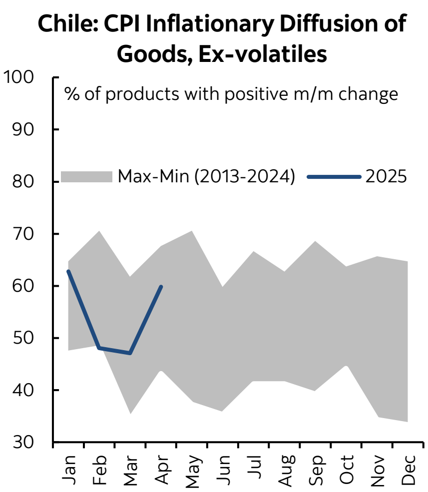
- **We project annual inflation to fall below 4% in July**

On Tuesday, May 8th, the INE released April CPI data showing a 0.2% m/m (4.5% y/y) increase in prices, below market expectations and our own, which were biased downward. Regarding our projection, the main downward surprises came from volatile items concentrated in the food, apparel, and footwear division and the healthcare division. While this reading would not have been a significant surprise for the Central Bank (BCCh) at the headline level, it would have been slightly below its core CPI projection, accumulating a new surprise for the March IPoM scenario.

Inflationary diffusion is slightly below historical average levels, a sign of limited inflationary pressures in an environment of high exchange rate volatility (chart 1 and 2). Ex-volatile CPI recorded inflationary diffusion around average, which, combined with the low number of volatile products that increased in price, explains the low inflation in April. While an increase in the diffusion of CPI of goods (ex-volatiles) was observed, placing it above average, as expected given the depreciation of the peso in previous weeks, this was offset by the significant drop in the diffusion of CPI of services (ex-volatiles), which, after several months, is back at the lower end of its historical range. According to our estimates, nearly 60% of price adjustments due to past inflation (second-round effects) occur between January and April of each year, so going forward, inflationary pressures on services are expected to remain limited, with inflation around or below their averages.

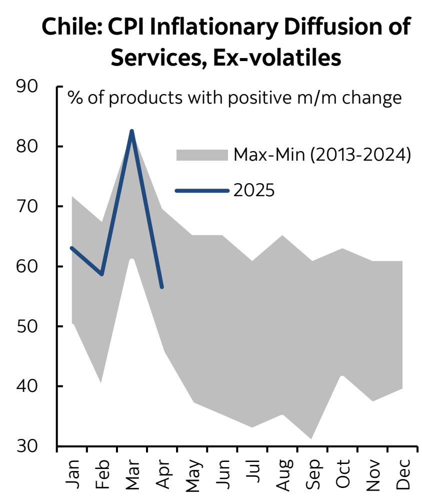
Cyber Day 2025 could temporarily lift inflationary diffusion in goods in May. Last year, the May CPI was partly explained by greater inflationary diffusion in goods associated with a general increase in their prices, in the run-up to Cyber Day, which took place in early June. For this year, we raise the risk of seeing diffusion levels temporarily above historical averages, which could affect inflation for the month.

Chart 1



Sources: Scotiabank Economics, INE.

Chart 2



Sources: Scotiabank Economics, INE.

The market anticipates inflation slightly above historical levels during the second half of the year, which we estimate is due to the incorporation of electricity rate increases and external inflationary effects. For our part, we estimate lower inflation due to additional currency appreciation and significant, but still limited, consumption growth. In this scenario, we maintain our 2025 annual inflation projection of 3.5% (Dec/Dec). We expect that after the recently released April CPI, the market will correct implicit inflation somewhat downward.

—Aníbal Alarcón

MEXICO: INFLATION RISES, DRIVEN BY PRESSURES IN GOODS AND SERVICES

In April, inflation rose to 3.93% y/y from 3.80% (vs. 3.91% consensus in the Citi Survey), with core inflation also reaching 3.93%, up from 3.64% (vs. 3.92% consensus) (chart 3 and 4). Within the core component, goods inflation increased to 3.38% (2.98% previously), while services rose to 4.56% (4.35% previously). On the other hand, non-core inflation moderated to 3.76% (4.16% previously), with agricultural prices slowed down to 4.13% (4.87% previously), including a -2.45% drop in fruits and vegetables. On a monthly basis, headline inflation rose 0.33% (0.31% previously, 0.31% consensus), core inflation increased 0.49% (0.43% previously, 0.48% consensus), and non-core inflation stood at 0.21% (-0.08% previously). In the coming months, it will be crucial to monitor the evolution of the goods component to assess whether it is affected by a more depreciated exchange rate or if the impact of an economic slowdown on service prices prevails.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña

COLOMBIA: EXPORTS INCREASE IN MARCH DESPITE LOW OIL PRICES, WHILE NON-TRADITIONAL EXPORTS REMAIN POSITIVE

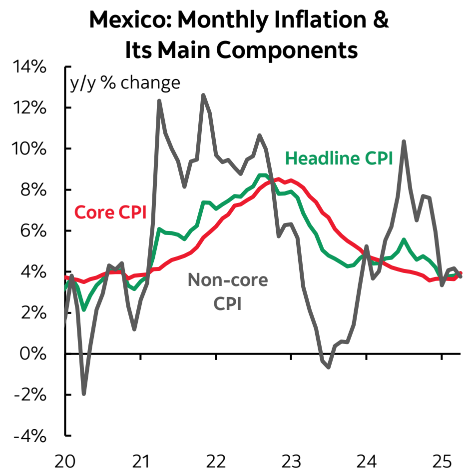
DANE published export data on Wednesday, May 7th. Monthly exports in March reached US$4.33 billion FOB, representing a 12.2% increase compared to March 2024 (chart 5). Compared to the previous month, total exports registered a significant increase of 26.3%. Non-traditional exports maintained good momentum, and this month in particular, non-traditional exports achieved greater momentum, with coffee exports being the main player (chart 6).

Exports broke a streak of weak growth, with March being the month with the highest growth in 12 months. Coffee exports registered significant growth exceeding 100%, maintaining the positive trend of the last year, thanks to a combination of better prices and increased export volume. Meanwhile, non-traditional exports continue to register a positive balance, representing around 50% of total exports, with food (excluding coffee) and manufactured goods being the most notable.

Commodity prices continue to play a key role in export performance. Coal exports continue to register double-digit declines, with low export volumes and prices failing to contribute. Meanwhile, oil prices continue to hinder further export recovery. March registered the highest export volume of oil since 2020, with 3.08 million tons. However, the drop in prices prevented increased export revenues from this product, reaching USD $1.39 billion (+2.85% y/y).

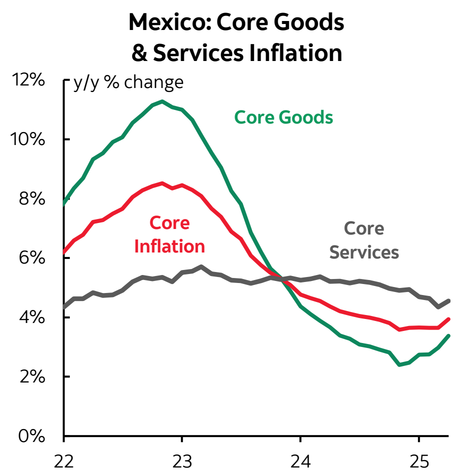
Despite the decrease in prices, the first quarter closed with a positive balance for exports. The cumulative balance through March reached USD 11.89 billion FOB, representing 5.3% increase compared to the first quarter of 2024. Traditional exports totaled USD 5.89 billion FOB, falling -3.8% compared to the first quarter of 2024, while non-traditional exports reached USD 5.99 FOB, increasing by +16% y/y compared to the first quarter of 2024.

Chart 3



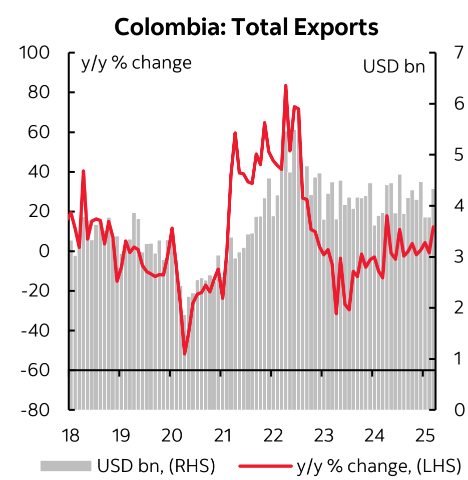
Sources: Scotiabank Economics, INEGI.

Chart 4



Sources: Scotiabank Economics, INEGI.

Chart 5



Sources: Scotiabank Economics, DANE.

- **In March, traditional exports stood at USD 2.20 billion FOB, registering a 3.48% y/y increase.** International prices have influenced the slowdown in coal and oil exports, however, oil exports rebounded due to higher export volumes. Oil exports increased 2.85% y/y in value, while, in volume, oil exports reached their highest level since May 2020. On the other hand, ferronickel exports increased 41.37% y/y, while coal exports fell -55.19% y/y, the largest decline since July 2023.
- **Non-traditional exports stood at US$2.13 billion FOB, registering a 22.9% y/y increase.** Non-traditional exports have maintained a positive trend, representing approximately 50% of total exports. Exports of food and agricultural products, excluding coffee, increased by 19% y/y, with increases in fruits, oils, and animal products. Meanwhile, manufactured exports increased by 16% y/y, with plastics, electrical appliances, and personal hygiene products contributing the most. Non-monetary gold exports accounted for 8% of total exports, valued at US$343 million (+51.1% y/y).

—Daniela Silva

Chart 6

Sources: Scotiabank Economics, DANE.